

City of Alexandria Employees' Retirement System

Alexandria, Louisiana

December 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUL 18 2012**

**City of Alexandria Employees'
Retirement System**

December 31, 2011

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

Board of Trustees
City of Alexandria Employees' Retirement System

We have audited the accompanying statement of plan net assets of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2011, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System (a pension trust fund of the City of Alexandria, Louisiana) and do purport to, and do not, present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the plan net assets held in trust for pension benefits of the City of Alexandria Employees' Retirement System, as of December 31, 2011, and the change in its net assets held in trust for pension benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

| | |
|---------------------------|----------------------------|
| ROBERT W. DYDRAN, C.P.A. | CINDY L. HUMPHRIES, C.P.A. |
| REBECCA D. MORRIS, C.P.A. | DEBORAH R. DURN, C.P.A. |
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| JAMES H. BALLARD, C.P.A. | EVELYN BENEFROM, C.P.A. |
| MARTIN A. JUREAN, C.P.A. | ERNEST F. SASSER, C.P.A. |





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees' Retirement System

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and other required supplementary information on pages 16 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Alexandria Employees' Retirement System's basic financial statements. The accompanying financial information listed as additional information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Payne, Moore & Herrington, LLP

Certified Public Accountants

May 15, 2012

Required Supplemental Information
Part I

Management's Discussion and Analysis

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2011**

Our discussion and analysis of the City of Alexandria Employees' Retirement System's financial performance provides an overview of the System's financial activities for the year ended December 31, 2011. It encompasses year-long activities and is management's representation of the system's activities and should be read in conjunction with the accompanying financial statements.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the System's financial statements, required supplemental information, and the supporting schedules as described below:

- The **Statement of Plan Net Assets** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2011.
- The **Statement of Changes in Plan Net Assets** reports the results of operations during the year, categorically disclosing the additions and deductions from plan net assets.
- The **Notes to the Financial Statements** provide additional data that is essential to a complete understanding of the financial statements as well as providing brief descriptions of the plan and the System's accounting policies.
- The **Required Supplemental Information – Part II**, including the *Schedule of Funding Progress*, and the *Schedule of Employer Contribution*, provides historical trend information about the actuarially determined funded status of the System from a long-term, on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits when due.
- The **Additional Information** is presented for the purposes of additional analysis and is not a required part of the financial statements.

Financial Analysis

To begin our financial analysis, a summary of the System Plan Net Assets is presented below:

| Condensed Statement of Plan Net Assets | | | |
|---|-----------------------|-----------------------|---------------------|
| | 2011 | 2010 | Change |
| Assets | | | |
| Cash | \$ 5,260,576 | \$ 5,494,198 | \$ (233,622) |
| Receivables | 584,133 | 574,487 | 9,646 |
| Investments, at fair value | 105,071,625 | 98,333,553 | 6,738,072 |
| Capital assets, net | 1,771 | 1,519 | 252 |
| Total Assets | 110,918,105 | 104,403,757 | 6,514,348 |
| Liabilities | (540) | (510) | (30) |
| Plan Net Assets | \$ 110,917,565 | \$ 104,403,247 | \$ 6,514,318 |

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2011**

As the table above indicates, Plan Net Assets increased by \$6,514,318, primarily due to a continued recovery in asset fair value – a decline – which had occurred in the 2008 fiscal year. The year ended December 31, 2011 was one marked by volatility but, was one that ended the year on a positive note from a trend that began in the latter summer months of the year following the first six months of the year that was characterized by a number of peaks and valley effects. During the year 2011 there was a net change of \$6,514,318 in Plan Net Asset Value when measured in a year over year period at December 31st.

Cash – The System, for the past several years, has maintained a portion of its assets in cash. As the table indicates there was a net decrease of \$233,622 in total cash amounts, but the amount is still slightly higher than normally would be the case. While the DROP program and investment activities require certain cash balances, it is anticipated that over time and a further easing of the volatility in investment markets, a further reduction would be permitted.

It is the position of the System that during unsettled periods and the potential demands of the System for certain cash needs, it is prudent to maintain a larger than normal cash position.

All of the cash balances of the System earn interest at the daily interest rate while being kept available for System purposes. The System has a "sweep account" for its bank account, which is fully secured separately from the collateral normally provided by the bank, with all funds being moved into a nightly repurchase agreement resulting in a compounding of interest of these funds.

The cash balances of the System are subject to a call by those persons participating in the DROP program. The termination of participation is a choice of timing by the individual, resulting in a need to disperse large amounts at the time of notice given by these persons. At year-end the total liability to DROP participants was \$886,452. Further, the decisions of individuals completing the DROP to continue employment required the establishment of an interest bearing sub-account for their accumulated DROP funds. At the year-end, the total in the sub-accounts totaled \$972,313. Individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

Receivables – As cash is invested and the number of equities increasing or beginning to pay dividends together with the normal payment of interest on a variety of fixed income securities resulted in a continuing accrual of monies at year end.

Investments – *As the year 2008 was marked with the greatest distortion in market values since the Great Depression*, the year 2011 was volatile, but one marked by a continued recovery of the losses experienced in the earlier time. The System's assets had a net increase of \$6,514,318 at year-end.

A positive investment return of 7.1% was experienced by the System for the fiscal year ended December 31, 2011. We are advised by our actuaries that the return was equal to or better than our peers in the Louisiana public retirement areas.

Further, the geometric average market return over a 10-year period was among the highest in the Louisiana public retirement system arena and was greater than the S&P 500 average over the same period.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2011**

Condensed Statements of Changes in Plan Net Assets

| | 2011 | 2010 | Change |
|---|---------------------|----------------------|-----------------------|
| Additions | | | |
| Employer | 5,033,392 | 5,134,545 | \$ (101,153) |
| Plan members | 1,727,128 | 1,815,269 | (189,294) |
| Purchased service | 43,174 | 37,081 | 6,093 |
| Net investment income (loss) | 7,341,664 | 12,289,032 | (4,947,368) |
| Total Additions | 14,145,358 | 19,275,927 | (5,231,722) |
| Deductions | | | |
| Plan benefits | 6,643,878 | 6,532,538 | 111,340 |
| DROP benefits | 420,934 | 265,559 | 155,375 |
| Employee refunds | 304,003 | 368,185 | (64,182) |
| Transfers to other systems | 131,992 | 52,358 | 79,634 |
| Administrative expenses | 130,233 | 129,461 | 772 |
| Total Deductions | 7,631,040 | 7,348,101 | 282,939 |
| Net Increase (Decrease) in Plan Net Assets | \$ 6,514,318 | \$ 11,927,826 | \$ (4,948,783) |

The table above indicates that the plan net assets increased by \$6,514,318 at the end of 2011. While the year 2010 ended with a greater increase in net plan assets, it was primarily a "snap-back" from the loss of 2008. The year 2011 demonstrated a further continuation of the gains experienced the prior year.

- **Employer Contributions** - Employer contribution rates are set through the report of the consulting actuary and are designed to change with the beginning of the City fiscal year at May 1st. Rates run for a 12-month period until the following April 30th with the current actuarial valuation determining any change in rate structure. The actuarially set employer contribution rate for the period of May 1, 2010 through April 30, 2011 was 28.94%. Effective May 1, 2011, this rate decreased to 27.45% for the period of May 1, 2011 through April 30, 2012.
- Based on the actuary's recommendations, the Board of Trustees has set the actuarially required employer contribution rate at 25.97% to be effective May 1, 2012 [a decline of 1.48% of payroll] – due to the favorable activity of the System this past fiscal year. As a result, the employer contribution rate will have been decreased by 2.97% over a 2-year period, thus resulting in an approximate savings to the City of some \$600,000 per year when the rates are finally put in place.
- **Investment Income** – The retirement system invests in markets with a prudent amount of risk taken, but it cannot control the events that shape and govern the markets in which we place our funds. The retirement system either matched or exceeded the indices it measures itself against during the year ended December 31, 2011.

**City of Alexandria Employees' Retirement System
Management's Discussion and Analysis
Year Ended December 31, 2011**

Other Information

The System had favorable actuarial experience during the year; with the report of the actuary indicating that it was not adding any new unfunded liability and would pay off the existing liability in 8 years at which time the employer contribution rate would decline by 30% to 35%. That report speaks for itself, and will not be further addressed in this writing.

When viewed on a multi-year basis the System continues in a positive growth mode, though not without some level of volatility resulting from external sources. The DROP program continues to place a greater degree of call on the cash of the system and will require a reserving of additional amounts for this item.

Request for Information

The financial report of the System is designed to provide a general overview of the System's finances for interested parties. Any request for additional information should be directed to the City of Alexandria Employees' Retirement System, P. O. Box 71, Alexandria, LA 71309.

Financial Statements

City of Alexandria Employees' Retirement System
Statement of Plan Net Assets
December 31, 2011

Exhibit A

Assets

| | | |
|--|------------|--------------------|
| Cash and cash equivalents | | \$ 5,260,576 |
| Accrued interest and dividends receivable | | 584,133 |
| Investments, at fair value: | | |
| Corporate bonds (amortized cost \$32,269,528) | 35,614,769 | |
| Zero coupon treasury receipts (amortized cost \$2,056,683) | 2,889,543 | |
| GNMA notes (amortized cost \$16,491) | 23,945 | |
| Corporate stocks | | |
| Preferred stocks (cost \$3,364,816) | 3,130,612 | |
| Common stocks (cost \$60,123,212) | 63,412,756 | |
| Total Investments (cost \$97,830,730) | | 105,071,625 |
| Furniture, fixtures, and equipment, net of depreciation | | 1,771 |
| Total Assets | | <u>110,918,105</u> |

Liabilities

| | |
|------------------------|------------|
| Payroll taxes withheld | <u>540</u> |
|------------------------|------------|

Net Assets Held in Trust for Pension Benefits

| | |
|--|------------------------------|
| (A schedule of funding progress is presented on page 17) | <u><u>\$ 110,917,565</u></u> |
|--|------------------------------|

The accompanying notes are an integral part of the financial statements.

City of Alexandria Employees' Retirement System
Statement of Changes in Plan Net Assets
Year Ended December 31, 2011

Exhibit B

Additions

Contributions

| | |
|---|---------------|
| Employer | \$ 5,033,392 |
| Plan members | 1,727,128 |
| Purchased service, transfers, and/or repayment of refunds | <u>43,174</u> |
| Total Contributions | 6,803,694 |

Investment income

| | |
|---|------------------|
| Interest | 1,900,847 |
| Dividends | 1,394,057 |
| Net appreciation in fair value of investments | <u>4,046,760</u> |
| Total Investment Income | <u>7,341,664</u> |
| Total Additions | 14,145,358 |

Deductions

| | |
|----------------------------|------------------|
| Plan benefits | 6,643,878 |
| DROP benefits | 420,934 |
| Employee refunds | 304,003 |
| Transfers to other systems | 131,992 |
| Administrative expenses | <u>130,233</u> |
| Total Deductions | <u>7,631,040</u> |

| | |
|---------------------|------------------|
| Net Increase | 6,514,318 |
|---------------------|------------------|

**Net Assets Held in Trust for Pension Benefits,
Beginning of Year**

104,403,247

**Net Assets Held in Trust for Pension Benefits,
End of Year**

\$ 110,917,565

The accompanying notes are an integral part of the financial statements.

City of Alexandria Employees' Retirement System
December 31, 2011

Notes to Financial Statements

1. Plan Description and Significant Accounting Policies

The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended, and administered by the City of Alexandria. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

The financial statements contained herein present only the City of Alexandria Employees' Retirement System and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana, in conformity with accounting principles generally accepted in the United States of America.

Plan Description

Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. At December 31, 2011, System membership consisted of:

| | |
|---|------------|
| Current employees | |
| Vested | 286 |
| Nonvested | 192 |
| DROP participants | 16 |
| Terminated members due future benefits | 7 |
| Terminated members not due future benefits | 143 |
| Retirees and survivors currently receiving benefits | <u>340</u> |
| Total | 984 |

The following brief description of the System is provided for general information only.

Retirement Benefits - Members with ten years of creditable service may retire at age sixty-two; members with at least twenty years of creditable service may retire at age sixty; members with twenty-five years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's average compensation multiplied by number of years of creditable service, not to exceed one hundred percent of average compensation. (Average compensation is defined as the highest three year average annual compensation.)

Disability Benefits - Five years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a retirement allowance if they have attained the age of sixty-two. Otherwise, they receive three percent of the final average compensation for each year of service, not to be less than three hundred dollars per year.

Survivor Benefits - Three years of creditable service are required in order to be eligible for survivor benefits. The survivor is entitled to twice the amount of accumulated contributions or two months salary, whichever is greater, plus \$1,000. If the member has completed fifteen or more years of service, the surviving spouse is entitled to an automatic option 2 benefit (an actuarially equivalent joint and full survivor benefit) which ceases if the spouse remarries. In lieu of option 2, the spouse may receive the greater of a refund of twice the member's contributions with interest earnings or two months salary. Widows, who are at least age fifty, of members who die prior to retirement but subsequent to becoming eligible to retire, are entitled to automatic option 2 benefits.

City of Alexandria Employees' Retirement System
December 31, 2011

Notes to Financial Statements

Deferred Retirement Option Plan - In lieu of terminating employment and accepting a service retirement allowance, any member of the system who has at least ten years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the Deferred Retirement Option Plan for up to thirty-six months and defer the receipt of benefits. Creditable service shall not include service reciprocally recognized pursuant to R.S. 11:142. Upon commencement of participation in the DROP plan, active membership in the system terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain, as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan account. Upon termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon his account balance (or any other method of payment subject to approval by the Board of Trustees); in addition, the member receives the monthly benefits that were paid into the fund during the period of participation. After a member has terminated his participation in the plan, the member's individual account balance in the plan will earn interest at the actual rate of return earned on such funds left on deposit with the system. Such funds will be invested in accordance with a policy adopted by the board of trustees. The accrued interest will be credited to the individual account on an annual basis. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in the system. The monthly benefit payments that were being paid into the DROP fund are paid to the retiree and an additional benefit based on his additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation. The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless his period of additional service is at least thirty-six months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit. If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance is paid to his named beneficiary or, if none, to his estate.

Contribution Refunds - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions on request. Receipt of such a refund cancels all accrued rights in the System.

Contribution Rates - Covered employees are required by statute to contribute ten percent of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

Administrative Costs - Administrative costs of the plan are financed through investment earnings.

Significant Accounting Policies

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

City of Alexandria Employees' Retirement System
December 31, 2011

Notes to Financial Statements

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investments - Statutes allow the System to invest in securities issued, guaranteed, or insured by the United States government; bonds and other evidence of indebtedness issued by states or their political subdivisions; stocks, bonds, or other securities or evidence of indebtedness issued by any solvent corporation created under the laws of the United States or any of the states of the United States; and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana.

Investments are reported at fair value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

Furniture, Fixtures, and Equipment - Furniture, fixtures, and equipment are valued at historical cost less accumulated depreciation. The minimum capitalization threshold is any individual item with a total cost greater than or equal to \$250. Depreciation is computed using the straight-line method over the estimated economic life of the assets.

2. Cash

The System's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the System or its agent in the System's name (GASB Category 1).

3. Investments

As of December 31, 2011, the System had the following investments and maturities.

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|-------------------------------|---------------|----------------------------------|-------------|--------------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Corporate bonds | \$ 35,614,769 | \$517,572 | \$1,071,510 | \$ 3,762,325 | \$ 30,263,362 |
| Zero coupon treasury receipts | 2,889,543 | - | - | 2,889,543 | - |
| GNMA notes | 23,945 | - | 9,064 | 14,881 | - |
| U. S. government agency notes | - | - | - | - | - |
| Total Interest-Bearing | 38,528,257 | \$517,572 | \$1,080,574 | \$ 6,666,749 | \$ 30,263,362 |
| Preferred stocks | 3,130,612 | | | | |
| Common stocks | 63,412,756 | | | | |
| Total Investments | \$105,071,625 | | | | |

Interest Rate Risk: The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

City of Alexandria Employees' Retirement System
December 31, 2011

Notes to Financial Statements

Credit Risk: The System may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. In addition, the System may invest in corporate stocks and bonds. The System's investment policies limit its corporate debt investments to bonds rated at least BBB by Standards and Poor's or Baa by Moody's Investor Services. Moody's Investor Services credit ratings of the System's corporate bonds are summarized below. Due to the extraordinary market conditions experienced during 2009, 2010 and 2011, management determined that it would be detrimental to the System to sell the bonds whose credit ratings dropped below Baa.

| <u>Moody's Investor Services Credit Rating</u> | <u>Fair Value</u> |
|--|-------------------|
| A or better | \$ 32,587,095 |
| Baa | 3,059,390 |
| Less than Baa | <u>2,881,772</u> |
| | \$ 38,528,257 |

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All of the System's investments are held by the System or its agents in the System's name.

4. Furniture, Fixtures, and Equipment

A summary of changes in furniture, fixtures, and equipment during the year is presented below:

| | <u>Balance Beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance Ending</u> |
|--------------------------|------------------------------|------------------|------------------|---------------------------|
| Furniture and fixtures | \$ 5,938 | \$ - | \$ - | \$ 5,938 |
| Equipment | <u>6,020</u> | <u>875</u> | <u>-</u> | <u>6,895</u> |
| Total | 11,958 | 875 | - | 12,833 |
| Accumulated depreciation | <u>(10,439)</u> | <u>(623)</u> | <u>-</u> | <u>(11,062)</u> |
| Net | \$ 1,519 | \$ 252 | \$ - | \$ 1,771 |

The following estimated lives are used to compute depreciation on the straight-line method.

| | |
|------------------------|------------|
| Furniture and fixtures | 7-10 years |
| Computer equipment | 5 years |

Depreciation expense recorded in the financial statements for the year ended December 31, 2011, amounted to \$623.

**City of Alexandria Employees' Retirement System
December 31, 2011**

Notes to Financial Statements

5. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2011, the most recent actuarial valuation date, is as follows:

| | |
|---|---------------|
| (a) Actuarial value of assets | \$108,774,044 |
| (b) Actuarial accrued liability (AAL) – entry age | 122,736,303 |
| (c) Unfunded AAL (UAAL) (b-a) | 13,962,259 |
| (d) Funded ratio (a/b) | 88.62% |
| (e) Covered payroll (excludes DROP participants) | 17,271,280 |
| (f) UAAL as a percentage of covered payroll (c/e) | 80.84% |

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|-------------------------|
| Valuation date | 12/31/11 |
| Actuarial cost method | Frozen Entry Age Normal |
| Amortization method | Level percent closed |
| Remaining amortization period | 8 years |

Asset valuation method:

The actuarial value of assets is based on a 5-year smoothing of all investment earnings above or below the actuarial assumed rate of return. If the smoothed value of assets is more than 115% of the market value of assets, the actuarial value of assets will be equal to the smoothed value reduced by 1/2 of the excess of the smoothed value over 115% of the market value of assets. If the smoothed value is less than 85% of the market value of assets, the actuarial value will be equal to the smoothed value increased by 1/2 of the excess of 85% of the market value of assets over the smoothed value.

Actuarial assumptions:

| | |
|----------------------------|-------|
| Investment rate of return | 8.00% |
| Projected salary increase | 5.50% |
| Includes inflation at | 3.25% |
| Includes merit raises at | 2.25% |
| Cost-of-living adjustments | None |

Required Supplemental Information
Part II

City of Alexandria Employees' Retirement System
Required Supplemental Information
Schedule of Funding Progress
(in thousands of dollars)

Schedule 1

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) - Frozen Entry Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|---|--|---|---|--|------------------------------------|--|
| 12/31/98 | 55,151 | 75,371 | 73.2% | 20,220 | 13,393 | 151.0% |
| 12/31/99 | 62,301 | 82,642 | 75.4% | 20,341 | 14,231 | 142.9% |
| 12/31/00 | 67,268 | 87,647 | 76.7% | 20,379 | 13,690 | 148.9% |
| 12/31/01 | 68,892 | 89,248 | 77.2% | 20,356 | 14,500 | 140.4% |
| 12/31/02 | 66,448 | 86,593 | 76.7% | 20,145 | 15,196 | 132.6% |
| 12/31/03 | 66,317 | 86,179 | 77.0% | 19,862 | 14,639 | 135.7% |
| 12/31/04 | 68,816 | 88,315 | 77.9% | 19,499 | 14,522 | 134.3% |
| 12/31/05 | 75,252 | 94,301 | 79.8% | 19,049 | 15,961 | 119.3% |
| 12/31/06 | 81,480 | 99,983 | 81.5% | 18,503 | 16,725 | 110.6% |
| 12/31/07 | 90,346 | 108,197 | 83.5% | 17,851 | 18,400 | 97.0% |
| 12/31/08 | 90,577 | 107,659 | 84.1% | 17,082 | 20,287 | 84.2% |
| 12/31/09 | 97,814 | 114,000 | 85.8% | 16,186 | 19,750 | 82.0% |
| 12/31/10 | 103,324 | 118,475 | 87.2% | 15,151 | 18,581 | 81.5% |
| 12/31/11 | 108,774 | 122,736 | 88.6% | 13,962 | 17,271 | 80.8% |

The accompanying notes are an integral part of the financial statements.

**City of Alexandria Employees' Retirement System
Required Supplemental Information
Schedule of Employer Contributions**

Schedule 2

| <u>Year Ended</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|-----------------------|---|-----------------------------------|
| 12/31/1998 | 2,450,850 | 100% |
| 12/31/1999 | 2,527,803 | 100% |
| 12/31/2000 | 2,479,254 | 100% |
| 12/31/2001 | 2,414,828 | 100% |
| 12/31/2002 | 2,490,139 | 100% |
| 12/31/2003 | 2,734,983 | 100% |
| 12/31/2004 | 3,371,285 | 100% |
| 12/31/2005 | 4,445,154 | 100% |
| 12/31/2006 | 5,026,930 | 100% |
| 12/31/2007 | 5,217,854 | 100% |
| 12/31/2008 | 5,518,590 | 100% |
| 12/31/2009 | 4,794,266 | 100% |
| 12/31/2010 | 5,134,545 | 100% |
| 12/31/2011 | 5,033,392 | 100% |

The accompanying notes are an integral part of the financial statements.

Additional Information

City of Alexandria Employees' Retirement System
Schedule of Cash Receipts and Cash Disbursements
Year Ended December 31, 2011

Schedule 3

Cash Receipts

| | |
|---|-------------------|
| Employer contributions | \$ 5,033,392 |
| Member contributions | 1,727,128 |
| Purchased service, transfers, and/or repayment of refunds | 43,174 |
| Interest received | 1,858,431 |
| Dividends received | 1,426,827 |
| Proceeds from sale or redemption of investments | <u>23,052,528</u> |
| Total Cash Receipts | <u>33,141,480</u> |

Cash Disbursements

| | |
|----------------------------|-------------------|
| Plan benefits | 6,643,878 |
| DROP benefits | 420,934 |
| Refunds of contributions | 304,003 |
| Transfers to other systems | 131,992 |
| Administrative expenses | 129,580 |
| Purchase of capital assets | 875 |
| Purchase of investments | <u>25,743,840</u> |
| Total Cash Disbursements | <u>33,375,102</u> |

| | |
|--|------------------|
| Net Increase (Decrease) in Cash | (233,622) |
|--|------------------|

| | |
|---|-------------------------|
| Cash and Cash Equivalents, Beginning of Year | <u>5,494,198</u> |
|---|-------------------------|

| | |
|---|-----------------------------------|
| Cash and Cash Equivalents, End of Year | <u><u>\$ 5,260,576</u></u> |
|---|-----------------------------------|

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2011

Schedule 4
(Continued)

| Description | Maturity Date | Interest Rate | Face Value | Amortized Cost | Fair Value |
|--|--------------------------|--------------------------|-----------------------|---------------------------|-----------------------|
| General Electric Capital Corporation | 10/19/2012 | 5.250% | \$ 500,000 | \$ 500,000 | \$ 517,572 |
| Abbot Labs | 5/27/2040 | 5.300% | 500,000 | 498,552 | 601,085 |
| National Rural Utility Corporation | 4/10/2017 | 5.450% | 500,000 | 486,625 | 568,390 |
| General Electric Capital Corporation | 10/6/2017 | 5.500% | 500,000 | 499,792 | 503,120 |
| AT&T, Inc. | 2/1/2018 | 5.500% | 500,000 | 504,567 | 578,688 |
| Honeywell International | 3/1/2041 | 5.375% | 300,000 | 305,432 | 366,485 |
| Caterpillar Financial Services Corporation | 10/1/2018 | 7.050% | 500,000 | 486,043 | 634,770 |
| Wal-Mart Stores, Inc. | 2/1/2019 | 4.125% | 300,000 | 300,884 | 335,658 |
| General Electric Capital Corporation | 2/13/2019 | 5.000% | 400,000 | 400,000 | 400,344 |
| General Electric Capital Corporation | 3/30/2019 | 5.000% | 300,000 | 300,350 | 300,570 |
| Phillip Morris | 3/26/2020 | 4.500% | 300,000 | 296,966 | 339,711 |
| Mellife, Inc. | 2/8/2021 | 4.750% | 300,000 | 307,143 | 323,534 |
| Mobil Oil | 8/15/2021 | 8.625% | 100,000 | 99,667 | 151,550 |
| Halliburton | 11/15/2041 | 4.500% | 300,000 | 305,727 | 306,983 |
| Coca Cola Enterprises | 9/15/2022 | 8.000% | 300,000 | 300,000 | 435,500 |
| Aetna, Inc. | 8/15/2023 | 7.250% | 200,000 | 198,750 | 239,761 |
| General Electric Capital Corporation | 3/30/2024 | 4.750% | 300,000 | 300,000 | 302,075 |
| SLM Corporation | 1/25/2025 | 5.625% | 1,000,000 | 1,000,000 | 851,277 |
| United Telephone Company of Florida | 1/25/2025 | 8.375% | 500,000 | 486,492 | 609,625 |
| Philip Morris International, Inc. | 11/15/2041 | 4.375% | 300,000 | 298,796 | 310,457 |
| General Electric Capital Corporation | 10/15/2026 | 6.150% | 200,000 | 200,000 | 202,622 |
| Verizon California, Inc. | 5/15/2027 | 6.750% | 1,000,000 | 1,008,292 | 1,131,818 |
| GTE Corp-Verizon | 4/15/2028 | 6.940% | 500,000 | 483,705 | 626,409 |
| GTE Corp-Verizon | 4/15/2028 | 6.940% | 500,000 | 503,163 | 626,409 |
| Bell South Telecommunications | 6/1/2028 | 6.375% | 500,000 | 500,000 | 585,589 |
| Coca Cola Enterprises | 9/15/2028 | 6.750% | 500,000 | 498,160 | 702,570 |
| Atlantic Richfield | 3/1/2032 | 8.750% | 100,000 | 100,000 | 131,000 |
| Goldman Sachs Group I | 2/15/2033 | 6.125% | 250,000 | 250,000 | 245,781 |
| Goldman Sachs Group I | 2/15/2033 | 6.125% | 500,000 | 499,125 | 491,562 |
| Allstate | 6/1/2033 | 5.350% | 1,300,000 | 1,322,552 | 1,347,219 |
| Cincinnati Gas & Electric | 6/15/2033 | 5.375% | 500,000 | 480,843 | 526,539 |
| Consolidated Edison Co. of NY | 12/1/2039 | 5.500% | 500,000 | 502,695 | 613,828 |
| Ohio Power Company | 7/15/2033 | 6.375% | 290,000 | 289,493 | 300,610 |
| SLM Corporation | 8/1/2033 | 5.625% | 400,000 | 384,183 | 304,720 |
| SLM Corporation | 8/1/2033 | 5.625% | 500,000 | 500,000 | 380,900 |
| Citigroup Inc | 10/31/2033 | 6.000% | 500,000 | 500,000 | 426,653 |
| Goldman Sachs Capital I | 2/15/2034 | 6.345% | 650,000 | 639,923 | 555,876 |
| Pacific Bell | 10/15/2034 | 6.625% | 260,000 | 260,000 | 271,303 |
| Pacific Bell | 10/15/2034 | 6.625% | 1,000,000 | 1,000,000 | 1,043,475 |
| Loews Corporation | 2/1/2035 | 6.000% | 500,000 | 496,430 | 544,885 |
| Wal-Mart Stores, Inc. | 9/1/2035 | 5.250% | 1,000,000 | 997,369 | 1,183,245 |
| Verizon Communications | 9/15/2035 | 5.850% | 540,000 | 553,240 | 643,789 |
| Lowes Companies | 10/15/2035 | 5.500% | 600,000 | 548,149 | 666,444 |
| Cleco Power LLC | 12/1/2035 | 6.500% | 210,000 | 210,000 | 258,724 |
| Wyeth Company | 2/15/2036 | 6.000% | 300,000 | 294,990 | 384,608 |
| Apache Corporation | 1/15/2037 | 6.000% | 300,000 | 294,288 | 392,077 |

**City of Alexandria Employees' Retirement System
Investments - Corporate Bonds
December 31, 2011**

**Schedule 4
(Concluded)**

| Description | Maturity Date | Interest Rate | Face Value | Amortized Cost | Fair Value |
|-------------------------------|--------------------------|--------------------------|-----------------------|---------------------------|-----------------------|
| Honeywell International | 3/15/2037 | 5.700% | \$ 500,000 | \$ 518,194 | \$ 620,405 |
| Lehman Brothers | 6/21/2037 | 6.500% | 300,000 | 296,750 | 73,500 |
| Regions Financial | 6/26/2037 | 6.450% | 500,000 | 498,883 | 415,000 |
| McGraw-Hill | 11/15/2037 | 6.550% | 300,000 | 277,532 | 318,858 |
| Regions Financial | 12/10/2037 | 7.375% | 300,000 | 299,220 | 246,750 |
| Duke Energy | 4/15/2038 | 6.050% | 750,000 | 750,000 | 981,027 |
| Atlantic Richfield | 2/1/2022 | 8.250% | 200,000 | 200,000 | 262,000 |
| Cisco Systems | 1/15/2040 | 5.500% | 500,000 | 499,277 | 609,350 |
| Cisco Systems | 1/15/2040 | 5.500% | 1,000,000 | 1,092,867 | 1,218,700 |
| Pepsico, Inc | 1/15/2040 | 5.500% | 300,000 | 310,612 | 371,352 |
| Southern California Edison | 3/15/2040 | 5.500% | 500,000 | 508,937 | 632,086 |
| Western Union | 6/21/2040 | 6.200% | 500,000 | 513,143 | 537,235 |
| Dell, Inc | 9/10/2040 | 5.400% | 1,500,000 | 1,495,800 | 1,669,541 |
| Bell South Telecommunications | 11/15/2045 | 5.850% | 800,000 | 747,249 | 849,202 |
| Apache Corporation | 9/1/2040 | 5.100% | 300,000 | 300,278 | 354,842 |
| Unitedhealth Group, Inc. | 11/15/2041 | 4.625% | 300,000 | 298,347 | 315,274 |
| Wal-Mart Stores, Inc. | 7/8/2040 | 4.875% | 500,000 | 487,859 | 572,189 |
| Pepsico, Inc | 11/1/2040 | 4.875% | 500,000 | 502,824 | 578,231 |
| Amgen, Inc | 10/1/2041 | 4.950% | 300,000 | 287,658 | 294,046 |
| Microsoft | 2/8/2041 | 5.300% | 500,000 | 507,231 | 633,445 |
| Bell South Telecommunications | 11/15/2045 | 5.850% | 750,000 | 684,481 | 796,126 |
| Totals | | | \$32,400,000 | \$ 32,269,528 | \$ 35,614,769 |

See independent auditor's report.

**City of Alexandria Employees' Retirement System
Investments - Zero Coupon Treasury Receipts
December 31, 2011**

Schedule 5

| <u>Description</u> | <u>Maturity Date</u> | <u>Yield</u> | <u>Face Value</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|------------------------------|--------------------------|--------------|-----------------------|---------------------------|-----------------------|
| Zero Coupon Treasury Receipt | 02/15/17 | 8.300% | \$ 2,075,000 | \$ 1,367,764 | \$ 1,973,358 |
| FNMA Discount Note | 06/01/17 | 7.000% | 1,000,000 | 688,919 | 916,185 |
| Totals | | | <u>\$ 3,075,000</u> | <u>\$ 2,056,683</u> | <u>\$ 2,889,543</u> |

Yield represents yield to maturity.

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - GNMA Notes
December 31, 2011

Schedule 6

| <u>Description</u> | <u>Interest Rate</u> | <u>Principal Balance</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|--------------------|--------------------------|------------------------------|---------------------------|-----------------------|
| GNMA Notes | 9.00% | \$ 12,402 | \$ 9,415 | \$ 14,402 |
| GNMA Notes | 9.50% | 1,395 | 600 | 1,594 |
| GNMA Notes | 10.00% | 5,369 | 5,118 | 6,269 |
| GNMA Notes | 10.50% | 489 | 459 | 572 |
| GNMA Notes | 11.00% | 119 | 118 | 122 |
| GNMA Notes | 11.50% | 384 | 309 | 427 |
| GNMA Notes | 12.00% | 43 | 43 | 43 |
| GNMA Notes | 12.50% | 504 | 429 | 516 |
| Totals | | <u>\$ 20,705</u> | <u>\$ 16,491</u> | <u>\$ 23,945</u> |

All of the above are monthly principal reduction notes, with final maturity scheduled on various dates.

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - Preferred Stocks
December 31, 2011

Schedule 7

| <u>Description</u> | <u>Number of Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|---|---------------------------------|---------------------|-----------------------|
| AT&T, Inc. 6.375% | 27,500 | \$ 709,140 | \$ 736,450 |
| BAC Capital Trust V 6% | 3,950 | 99,975 | 73,115 |
| BAC Capital Trust VIII 6% | 10,000 | 250,000 | 183,200 |
| Bank of America 6.375% | 10,000 | 250,000 | 182,400 |
| Duke Realty Corp 6.6% Series L | 3,940 | 99,997 | 95,860 |
| Entergy Mississippi, Inc 6% | 15,000 | 375,000 | 420,000 |
| FPL Group Capital Trust 5.875% | 3,940 | 99,918 | 101,730 |
| Gabelli DVD & Inc. Trust 5.875% | 3,880 | 100,104 | 99,018 |
| General Electric Capital Corporation 6.625% | 2,500 | 68,500 | 65,975 |
| Goldman Sacs Corporation | 15,000 | 375,000 | 313,500 |
| JP Morgan Chase Capital Trust XIV 6.2% | 13,390 | 337,512 | 339,838 |
| Natural Rural Utility CFC | 4,007 | 100,015 | 101,658 |
| PLC Capital Trust V 6.125% | 3,930 | 99,979 | 96,089 |
| Prologis Trust 6.75% Series F | 3,870 | 99,885 | 96,750 |
| RBS Capital Funding Trust VII 6.08% | 3,920 | 99,921 | 35,872 |
| Vornado Realty Trust 6.625% | 3,970 | 99,885 | 100,520 |
| Wachovia Pfd Funding 7.25% | 3,430 | 99,985 | 88,837 |
| Totals | | \$ 3,364,816 | \$ 3,130,612 |

See independent auditor's report.

City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2011

Schedule 8
(Continued)

| <u>Description</u> | <u>Number of Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|--|---------------------------------|-------------|-----------------------|
| 3-M Company | 10,000 | \$ 816,147 | \$ 817,300 |
| Abbott Laboratories | 13,500 | 702,886 | 759,105 |
| Alcatel Lucent | 1,952 | 60,858 | 3,045 |
| Amazon.Com, Inc. | 24,000 | 3,297,788 | 4,154,400 |
| Amgen, Inc. | 30,000 | 1,868,144 | 1,926,300 |
| AOL, Inc. | 605 | 37,714 | 9,136 |
| Apple, Inc. | 8,000 | 1,731,528 | 3,240,000 |
| AT&T, Inc. | 56,262 | 1,799,993 | 1,701,363 |
| BB & T Corp | 35,000 | 1,213,413 | 880,950 |
| Caterpillar, Inc. | 10,000 | 945,716 | 906,000 |
| CenturyLink, Inc. | 1,664 | 268,561 | 61,901 |
| Chevron Corporation | 14,000 | 1,100,841 | 1,489,600 |
| Cisco Systems, Inc. | 89,500 | 2,309,540 | 1,612,790 |
| CLECO Corporation | 20,000 | 274,313 | 762,000 |
| Coco Cola Company | 60,000 | 3,424,955 | 4,198,200 |
| Comcast Corp | 1,819 | 77,582 | 43,128 |
| ConocoPhillips | 10,000 | 648,364 | 728,700 |
| Corning, Inc. | 56,000 | 1,509,119 | 726,880 |
| Dell Computer Corp | 80,000 | 1,689,083 | 1,170,400 |
| Devon Energy | 12,000 | 919,644 | 744,000 |
| Dow Chemical | 27,000 | 1,133,380 | 776,520 |
| Eli Lilly and Company | 10,000 | 559,899 | 415,600 |
| Emerson Electric Company | 50,000 | 1,255,535 | 2,329,500 |
| Express Scripts, Inc. | 40,000 | 1,187,595 | 1,787,600 |
| Exxon Mobil Corporation | 30,000 | 1,123,563 | 2,542,800 |
| FedEx Corporation | 20,000 | 1,801,902 | 1,670,200 |
| Freeport McMoran Copper and Gold Class B | 30,000 | 1,433,440 | 1,103,700 |
| Frontier Communications Company | 4,800 | 41,904 | 24,720 |
| General Electric Company | 75,000 | 1,157,061 | 1,343,250 |
| General Motors Company | 8,310 | 964,194 | 168,444 |
| General Motors Company Warrants A | 7,553 | 623,029 | 88,597 |
| General Motors Company Warrants B | 7,553 | 474,121 | 59,064 |
| Google, Inc. | 3,000 | 1,506,527 | 1,937,700 |
| Hess Corporation | 15,000 | 1,290,679 | 852,000 |
| Home Depot, Inc. | 25,000 | 1,014,157 | 1,051,000 |
| ING Groep NV | 7,000 | 285,258 | 50,190 |
| Intel Corporation | 75,000 | 1,717,162 | 1,818,750 |

City of Alexandria Employees' Retirement System
Investments - Common Stocks
December 31, 2011

Schedule 8
(Concluded)

| <u>Description</u> | <u>Number of Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|---------------------------------|---------------------------------|----------------------|-----------------------|
| International Business Machines | 12,000 | 248,918 | 2,206,560 |
| JDS Uniphase Corporation | 2,937 | 791,116 | 30,662 |
| Johnson & Johnson | 42,000 | 2,611,248 | 2,754,360 |
| McDonalds Corp. | 10,000 | 562,351 | 1,003,300 |
| Microsoft Corporation | 45,000 | 1,186,926 | 1,168,200 |
| Murphy Oil Corporation | 20,000 | 1,419,185 | 1,114,800 |
| Nokia Corp. | 10,000 | 397,156 | 48,200 |
| Oracle Systems Corporation | 17,500 | 582,031 | 448,875 |
| Pepsico, Inc. | 5,000 | 314,851 | 331,750 |
| Procter & Gamble Co. | 40,625 | 2,008,816 | 2,710,094 |
| Research in Motion Limited | 10,000 | 358,155 | 145,000 |
| Schlumberger, Ltd. | 30,000 | 2,640,127 | 2,390,850 |
| Tenet Healthcare Corp. | 12,000 | 511,622 | 61,560 |
| Time Warner | 6,666 | 537,466 | 240,909 |
| Time Warner Cable | 1,673 | 189,514 | 106,353 |
| Union Pacific Corp. | 15,000 | 811,114 | 1,589,100 |
| US Bancorp | 25,000 | 697,353 | 676,250 |
| Valero Energy Corpopration | 20,000 | 553,375 | 421,000 |
| Walt Disney Co. | 45,000 | 1,096,934 | 1,687,500 |
| Yahoo Incorporated | 20,000 | 339,359 | 322,600 |
| Totals | | \$ 60,123,212 | \$ 63,412,756 |

See independent auditor's report.

**Other Report Required by
Government Auditing Standards**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

**Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Trustees
City of Alexandria Employees' Retirement System

We have audited the financial statements of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana), as of and for the year ended December 31, 2011, and have issued our report thereon dated May 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Alexandria Employees' Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alexandria Employees' Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Alexandria Employees' Retirement System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

ROBERT W. DYORAK, C.P.A.
REBECCA D. MORRIS, C.P.A.
MICHAEL A. JONEAU, C.P.A.
JAMES W. BALLARD, C.P.A.
MARVIN A. JONEAU, C.P.A.

CINDY L. HEMPHRIES, C.P.A.
DEBORAH R. DUNN, C.P.A.
REBECCA G. HATTON, C.P.A.
EVELYN HENFROW, C.P.A.
ERNEST F. SASSER, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
City of Alexandria Employees' Retirement System

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alexandria Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management of the City of Alexandria Employees' Retirement System, and the Legislative Auditor's Office of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

May 15, 2012

Schedule of Findings and Responses

**City of Alexandria Employees' Retirement System
Schedule of Findings and Responses
Year Ended December 31, 2011**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses?

___ Yes X None reported

Noncompliance material to the financial statements noted?

___ Yes X No

Federal Awards

Not Applicable

Prior Year Audit Findings

None

Management's Corrective Action Plan

Not Applicable

Other Comments and Recommendations

Not Applicable

Part II - Findings Related to the Financial Statements

None

Part III - Findings and Questioned Costs for Federal Awards

Not Applicable